

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2011-2012 & thereafter)

SUBJECT CODE: 11CM/MC/CA54

B.Com./B.Com.(C.S) DEGREE EXAMINATION NOVEMBER 2016
COMMERCE
CORPORATE SECRETARYSHIP
FIFTH SEMESTER

COURSE : MAJOR – CORE
PAPER : CORPORATE ACCOUNTING
TIME : 3 HOURS

MAX. MARKS: 100

SECTION – A

ANSWER ALL QUESTIONS:

(10 x 3 = 30)

1. Explain 'Forfeiture of shares'.
2. State the meaning of 'Capital Redemption Reserve'.
3. State the difference between Shares and Debentures.
4. Write a note on Managerial remuneration.
5. What is meant by intrinsic value of shares?
6. Batliboi Co. Ltd., issued 50,000 equity shares of Rs.10 each to the public on condition that full amount of shares will be paid in a lump sum. All these shares were taken up and paid by the public. Pass journal entries in the books of company when
 - (a) Shares are issued at a premium of 10% and
 - (b) Shares are issued at a discount of 10%.
7. The following extract from the balance sheet of Gayathri Co. Ltd., as on 31st Dec. 2014, is given

Share capital:	Rs.
2,00,000 Equity shares of Rs.10 each	20,00,000
3,00,000 6% Redeemable preference shares of Rs.10 each	30,00,000
Capital reserve	15,00,000
General reserve	9,00,000
Profit & loss A/c	25,50,000

- The company exercises its option to redeem the Preference shares on 1st Jan. 2015. The company has sufficient cash. Give journal entries to record the redemption.
8. Timex Ltd., issued 1,000 8% Debentures of Rs. 100 each. Give appropriate journal entries in the books of the company, if the Debentures were issued as follows:
 - (1) Issued at par, redeemable at a premium of 10%.
 - (2) Issued at a discount of 5%, repayable at premium of 10%.
 9. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company.
The profit & Loss Account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items:

	Rs.
(a) Depreciation (including special depreciation of Rs.40,000)	1,00,000
(b) Provision for income tax	2,00,000
(c) Donation to political parties	50,000
(d) Ex-gratia payment to a worker	10,000
(e) Capital profit on sale of assets	15,000

10. A firm earns Rs. 1,20,000 as its annual profits, the rate of normal profit being 10%. The assets of the firm amount to Rs. 14,40,000 and liabilities to Rs. 4,80,000.
Find out the value of goodwill by capitalisation method.

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. NALLI & Co. Ltd. was registered with an authorised capital of Rs. 20, 00,000 divided into 20,000 shares of Rs. 100 each. The company offered 12,000 shares to the public which were payable: Rs. 20 per share on application, Rs. 40 per share on allotment and Rs. 40 on call. Applications for 18,000 shares were received on which the directors allotted as follows:-

Applicants for 10,000 shares - full
Applicants for 5000 shares - 2000 shares
Applicants for 3000 shares - NIL

The excess application money was adjusted towards allotment. All the money due on allotment and call was fully received. Make the necessary entries in the company's books.

12. A company has 10,000 9% redeemable preference shares of Rs. 100 each fully paid. The company decides to redeem the shares on 31st Dec. 2007 as a premium of 10%. The company makes the issues:

- (i) 6,000 Equity shares of Rs. 100 each at a premium of 10%
(ii) 4,000 8% Debentures of Rs.100 each.

The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits.

You are required to give the necessary entries.

13. On 1-1-08, Y Ltd., issues 4,000 12% Debentures of Rs.100 each repayable at the end of four years at a premium of 5%. It has been decided to institute a Sinking Fund for the purpose, the investments being expected to realize 4% net. Sinking fund tables show that 0.235490 amounts to Rs.1 @ 4% in four years. Investments were made in multiples of hundred only.

On 31-12-2011, the balance at bank was Rs.1,18,000 and the investments realized Rs.3,13,600. The debentures were paid off. Show ledger accounts.

14. Determine the maximum remuneration payable to the part time directors and manager of Bharat Ltd.(a manufacturing company) under sections 309 and 387 of the companies Act 1956 from the following particulars:

Before charging any such remuneration, the profit & loss account showed a credit balance of Rs. 23,05,000 for the year ended 31st March 1998 after taking into account the following matters:

	Rs.
(i) Profit on sale of investments	2,05,000
(ii) Subsidy received from government	4,10,000
(iii) Loss on sale of fixed assets	65,000
(iv) Ex-gratia to an employee	30,000
(v) Compensation paid to injured workman	75,000
(vi) Provision for taxation	2,79,000
(vii) Bonus to foreign technicians	3,12,000
(viii) Multiple shift allowance	1,00,000
(ix) Special depreciation	75,000
(x) Capital expenditure	5,10,000

15. Average capital employed in Kausik Ltd. is Rs.35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs.14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,000 p.m. But now he would be paid a salary of Rs.12,000 p.m. Normal rate of return expected in the industry in which Kausik Ltd. is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.
16. The balance sheet of saraswati Co.Ltd. disclosed the following position as on 31st December 2008.

Liabilities	Rs.	Assets	Rs.
Share capital: 6,000 equity shares of Rs.100 each	6,00,000	Goodwill	1,65,000
Profit & loss A/c	75,000	Investments	5,25,000
General reserve	2,25,000	Stock	6,60,000
6% debentures	4,50,000	Sundry debtors	3,90,000
Sundry creditors	1,50,000	Cash at bank	60,000
Workmen's savings bank A/c	3,00,000		
	18,00,000		18,00,000

- (i) The profits for the past five years were:
2004 – Rs.30,000; 2005 – 70,000; 2006 – Rs. 50,000; 2007 – Rs. 55,000 and 2008 – Rs. 95,000.
- (ii) The market value of investments was Rs. 3,30,000.
- (iii) Goodwill is to be valued at three years purchase of the average annual profits for the last five years.

Find the intrinsic value of each share.

17. A Ltd. invited application for 10,000 shares of Rs. 100 each at a discount of 5% payable as follows:
- | | |
|-------------------------|--------|
| On application | Rs. 25 |
| On allotment | Rs. 34 |
| On first and final call | Rs. 36 |

Applications were received for 9,000 shares and all of these were accepted. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate of Rs.90 as fully paid. Show necessary journal entries in the books of the company.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Good prospects Ltd. issued 40,000 shares of Rs. 10 each at a premium of Rs. 2 per' share. The shares were payable as follows:
Rs. 2 on application
Rs. 5 on allotment (including premium)
Rs. 5 on first and final call.
All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs. 8 per share.
Give the necessary journal entries, prepare the bank A/c and extract of Balance Sheet of the company.

19. Following is the summarized balance sheet of Nayagan Co. Ltd., as on 31.12.2014.

Liabilities	Rs.	Assets	Rs.
<u>Share capital :</u>		Bank	90,000
Paid up share capital		Other Assets	8,10,000
50,000 equity shares of Rs.10 each	5,00,000		
1,000 10% redeemable preference shares of Rs.100 each	1,00,000		
Less: Calls in arrears on 50 shares	<u>1,000</u>		
	99,000		
<u>Reserves & Surplus:</u>			
General Reserve	1,00,000		
Development Rebate Reserve	50,000		
Other liabilities	1,51,000		
	9,00,000		9,00,000

The redeemable preference shares were redeemed on the following basis:

- Further 4,500 equity shares were issued at a premium of 10%.
- Expenses of fresh issue of shares Rs.5,000.
- Out of 50 preference shares, holders of 40 shares paid the call money before the date of redemption. The balance of 10 shares were forfeited and they were reissued as fully paid shares on receipt of Rs.500 before redemption.
- Preference shares were redeemed at a premium of 10% and share premium was utilized in full for the purpose.

Pass Journal entries including those relating to cash and prepare summarized balance sheet after redemption.

20. Moon and Star Co. Ltd. is a company with an authorised capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2015 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015.

Trial balance of Moon & Star Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.86)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	<u>6,60,270</u>		<u>6,60,270</u>

You are required to prepare Statement of Profit & Loss for the year ended 31.12.2015

and a balance sheet as on that date. The following further information is given:

- (a) Closing stock was valued at Rs. 1,91,500.
- (b) Depreciation on plant at 15% and on furniture at 10% should be provided.
- (c) A tax provision of Rs. 8,000 is considered necessary.
- (d) The directors declared Final dividend @ 10%.
- (e) Provide for corporate dividend tax @ 15%.

21. On 31st Dec. 2015. The Balance sheet of a limited company disclosed the following position.

Liabilities	Rs.	Assets	Rs.
Issued Capital in Rs.10 shares	8,00,000	Fixed Assets	10,00,000
Profit & Loss A/c	40,000	Current Assets	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current Liabilities	2,60,000		
	14,80,000		14,80,000

On Dec 31st 2015, the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. The net profits for the three years were:
 2013 - Rs.1,03,200; 2014 - Rs.1,04,000 and 2015 - Rs.1,03,300 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by (a) the net assets method and (b) the Yield method.
